

RECEIVED

JUN - 1 1992

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

CRITICAL  
FILE

In the Matter of )

Treatment of Local Exchange Carrier )  
Tariffs Implementing Statement of )  
Financial Accounting Standards, )  
"Employers Accounting for )  
Postretirement Benefits Other )  
Than Pensions" )

CC Docket No. 92-101

U S WEST Communications, Inc. )  
Tariff F.C.C. Nos. 1 and 4 )

Transmittal No. 246

DIRECT CASE

LAWRENCE E. SARJEANT  
JAMES T. HANNON  
1020 19th Street, N.W.  
Suite 700  
Washington, D.C. 20036  
(202) 429-0303

ATTORNEYS FOR

U S WEST Communications, Inc.

June 1, 1992

No. of Copies rec'd  
List A B C D E

0 + 7

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. ISSUES DESIGNATED FOR INVESTIGATION/ INFORMATION SUBMISSION.....	4
A. Issues Designated for Investigation.....	4
B. Additional Information Submissions.....	8
III. CONCLUSION.....	15

SUMMARY

In this Direct Case, U S WEST Communications, Inc. ("U S WEST") demonstrates that the costs associated with adopting SFAS-106 should be given exogenous treatment under price cap regulation.

SFAS-106 requires that businesses use an accrual method of accounting for postemployment benefit costs rather than a "pay-as-you-go" approach, as U S WEST and other companies have used in the past. Adoption of SFAS-106 is mandated by the Financial Accounting Standards Board and the Federal Communications Commission ("Commission") rules. U S WEST has no control over SFAS-106 or the method in which it is implemented. Also, the vast majority of the incremental costs associated with adopting SFAS-106 will not be reflected in the price cap mechanism (i.e., GNP-PI). In Transmittal No. 246, U S WEST proposes that those "unreflected" costs be treated as exogenous costs for price cap purposes. U S WEST has presented sufficient evidence in its Direct Case to demonstrate that neither rejection or suspension of Transmittal No. 246 is warranted. As such, the Commission should terminate its tariff investigation and allow Transmittal No. 246 to take effect as scheduled.

RECEIVED

JUN - 1 1992

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Treatment of Local Exchange Carrier	)	CC Docket No. 92-101
Tariffs Implementing Statement of	)	
Financial Accounting Standards,	)	
"Employers Accounting for	)	
Postretirement Benefits Other	)	
Than Pensions"	)	
	)	
U S WEST Communications, Inc.	)	Transmittal No. 246
Tariff F.C.C. Nos. 1 and 4	)	

DIRECT CASE

U S WEST Communications, Inc. ("U S WEST"),<sup>1</sup> through counsel and pursuant to the Federal Communications Commission's ("Commission") Order of Investigation and Suspension,<sup>2</sup> hereby files its Direct Case on Transmittal No. 246,<sup>3</sup> which revised U S WEST's rates and price cap indices to reflect the adoption of Statement of Financial Accounting Standards No. 106 ("SFAS-106").

I. INTRODUCTION

In Transmittal No. 246, U S WEST proposed that the costs associated with implementing SFAS-106 be treated as

---

<sup>1</sup>U S WEST is a common carrier provider of exchange access and exchange telecommunications services.

<sup>2</sup>Order of Investigation and Suspension, DA 92-540, rel. Apr. 30, 1992 ("Investigation Order").

<sup>3</sup>U S WEST Communications Tariff F.C.C. Nos. 1 and 4, Transmittal No. 246, filed Apr. 3, 1992.

exogenous costs under the Commission's LEC Price Cap Order.<sup>4</sup>

SFAS-106 requires that businesses use an accrual method of accounting for postemployment benefit costs rather than using a "pay-as-you-go" approach to account for these costs, as U S WEST and other companies have done in the past. Additionally, SFAS-106 requires that companies recognize the liability associated with benefits earned by both retirees and current employees prior to the adoption of SFAS-106.<sup>5</sup>

On December 26, 1991, the Commission issued an Order authorizing all carriers to adopt SFAS-106 on or before January 1, 1993, using the amortization method of recognizing the SFAS-106 transition liability.<sup>6</sup> Section 32.16(a) of the Commission's rules<sup>7</sup> also requires that carriers adopt accounting standards prescribed by the Financial Accounting Standards Board ("FASB"), such as SFAS-106. In Transmittal No. 246, U S WEST indicated its intent to adopt the accounting requirements of SFAS-106 on January 1, 1993, in accordance with Section 32.16(a), SFAS-106

---

<sup>4</sup>See Policy and Rules Concerning Rates for Dominant Carriers, 5 FCC Rcd. 6786 (1990) ("LEC Price Cap Order"), on recon., 6 FCC Rcd. 2637 (1991) ("LEC Price Cap Recon. Order"), appeals pending sub nom. D.C. PSC v. F.C.C., No. 91-1279 (D.C. Cir. pet. for rev. filed June 14, 1991).

<sup>5</sup>This unfunded liability is referred to as the Transition Benefit Obligation ("TBO"). SFAS-106 allows companies to recognize the TBO by expensing it at the time of adoption or amortizing it over a period of no more than 20 years.

<sup>6</sup>See Southwestern Bell, GTE Service Corporation: Notification of Intent to Adopt Statement of Financial Accounting Standards No. 106, Employers' Accounting for Postretirement Benefits Other Than Pensions, 6 FCC Rcd. 7560 (1991).

<sup>7</sup>47 C.F.R. § 32.16(a).

and the Commission's Order of December 26, 1991.

In Transmittal No. 246, U S WEST proposed treating the incremental costs associated with SFAS-106 as exogenous costs under the Commission's LEC Price Cap Order.<sup>8</sup> U S WEST argued that FASB-mandated accounting changes are beyond the control of U S WEST and must be considered to be exogenous costs. However, U S WEST recognized that SFAS-106 is a Generally Accepted Accounting Principles ("GAAP") change, rather than a change in the Uniform System of Accounts ("USOA") and, as such, is not automatically eligible for exogenous treatment under Section 61.45(d) of the Commission's rules.<sup>9</sup> As the Commission notes in its Investigation Order, "[c]hanges in GAAP are not given routine exogenous cost treatment."<sup>10</sup> The primary factor in determining eligibility for exogenous treatment is whether the cost of a particular GAAP change will be reflected in the Gross National Product Price Index ("GNP-PI"), the inflation variable in the Price Cap Index ("PCI").<sup>11</sup>

---

<sup>8</sup>"Exogenous costs are in general those costs that are triggered by administrative, legislative or judicial action beyond the control of the carriers." LEC Price Cap Order, 5 FCC Rcd. at 6807 ¶ 166.

<sup>9</sup>47 C.F.R. § 61.45(d).

<sup>10</sup>Investigation Order at ¶ 6; see also Policy and Rules Concerning Rates for Dominant Carriers, 6 FCC Rcd. 665, 674 ¶ 74 (1991) ("AT&T Price Cap Recon. Order"), appeal pending sub nom. AT&T v. F.C.C., No. 91-1178 (D.C. Cir. pet. for rev. filed Apr. 16, 1991); 47 C.F.R. § 61.45(d).

<sup>11</sup>"If a GAAP change is universal enough to be reflected in the inflation measure, exogenous cost treatment would result in double counting within the context of the PCI." LEC Price Cap  
(continued...)

In Transmittal No. 246, U S WEST presented evidence, the Godwins Study,<sup>12</sup> which demonstrated that only a small portion of the incremental costs associated with SFAS-106 was expected to be reflected in the GNP-PI. As a result, U S WEST proposed that those "unreflected" costs, approximately 85% of the direct SFAS-106 costs or \$19 million for the first half of 1993 (i.e., interstate impact), be treated as exogenous costs for price cap purposes.

II. ISSUES DESIGNATED FOR INVESTIGATION/INFORMATION SUBMISSION

In its Investigation Order, the Commission suspended Transmittal No. 246,<sup>13</sup> designated issues for investigation and directed local exchange carriers ("LEC") to provide certain additional information in their Direct Cases.<sup>14</sup> U S WEST responds to these inquiries in this section of its Direct Case.

A. Issues Designated for Investigation

Issue

Has U S WEST borne its burden of demonstrating that implementing SFAS-106 results in an exogenous cost change under

---

<sup>11</sup>(...continued)  
Recon. Order, 6 FCC Rcd. at 2665 ¶ 63. Conversely, in cases where a GAAP change is not reflected in the GNP-PI or where only a small portion of the costs associated with such a change is reflected in the GNP-PI, exogenous treatment is appropriate.

<sup>12</sup>U S WEST Transmittal No. 246 at Attachment A.

<sup>13</sup>Investigation Order at ¶ 8.

<sup>14</sup>Id. at ¶¶ 10-16.

the Commission's price cap rules?

Response

U S WEST believes that it has presented sufficient evidence in Transmittal No. 246 to demonstrate that the costs of implementing SFAS-106 should be treated as exogenous costs under the Commission's price cap rules. There is no question that U S WEST is required to implement SFAS-106 on or before January 1, 1993. Also, SFAS-106 is a GAAP change that is entirely beyond the control of U S WEST. The only question is whether the costs associated with adopting SFAS-106 will be reflected in GNP-PI.<sup>15</sup> The Godwins Study, which was contained in Transmittal No. 246 as Attachment A, demonstrates that the vast majority of U S WEST's incremental costs associated with adopting SFAS-106 (i.e., 84.8% of these costs) would not be reflected in the GNP-PI and, therefore, should be treated as exogenous costs under price cap regulation.<sup>16</sup>

---

<sup>15</sup>See n.11 supra.

<sup>16</sup>The United States Telephone Association ("USTA") selected Godwins, Inc. to conduct a study to determine how much of the impact of adopting SFAS-106 would be reflected in the Commission's price cap rules. The study was divided into two parts: an actuarial analysis and a macroeconomic analysis. The actuarial analysis covered all price cap LECs, including U S WEST. Data from these companies was used to construct a composite company reflecting the characteristics of the industry as a whole. The macroeconomic section analyzed the impact of SFAS-106 on the economy as a whole to determine the extent to which GNP-PI would be affected by adoption of SFAS-106. This analysis addressed both the direct impact of SFAS-106 costs and the indirect impact on average wage rates.



Issue

If the cost changes associated with implementing SFAS-106 are treated as exogenous, should the costs prior to January 1, 1993 be treated as exogenous?

Response

U S WEST intends to adopt SFAS-106 by January 1, 1993, the mandatory adoption date. As such, U S WEST does not anticipate incurring implementation costs prior to January 1, 1993. However, the impact of these exogenous cost changes is reflected in U S WEST's access rates for the entire 1992-93 tariff year. The rates in Transmittal No. 246 were calculated in compliance with all applicable Commission rules and SFAS-106 costs were treated in the same manner as all other exogenous costs.

Issue

Are the assumptions made by U S WEST in calculating exogenous costs associated with SFAS-106 reasonable?

Response

U S WEST believes that it has employed a conservative set of assumptions in assessing the impact of SFAS-106. In particular, U S WEST is only requesting exogenous treatment for that portion of SFAS-106 costs which will not be reflected in the GNP-PI. Also, U S WEST intends to revise its SFAS-106 costs on an annual basis to reflect any significant changes in underlying

assumptions (e.g., changes in the number of current employees and retirees).<sup>17</sup>

Issue

Given these assumptions, has U S WEST correctly computed the exogenous cost changes?

Response

U S WEST believes that it has correctly calculated the exogenous cost changes associated with adopting SFAS-106. U S WEST's methodology and computations for determining these exogenous costs are contained in Section 3 of Transmittal No. 246. To the best of U S WEST's knowledge, all computations are correct.

Issue

Are U S WEST's allocations of these exogenous costs among the price cap baskets consistent with Commission rules?

Response

U S WEST's allocations of the exogenous costs associated with adopting SFAS-106 among the different price cap baskets are consistent with Commission rules. Section 61.45(d)(4) of the Commission's rules requires that exogenous cost changes be allocated on a "cost-causative" basis.<sup>18</sup> U S WEST has allocated exogenous costs associated with SFAS-106 and other exogenous factors (e.g., inside wire amortization) on

---

<sup>17</sup>Most of U S WEST's assumptions are contained in Transmittal No. 246. Additional assumptions are delineated in subsequent sections of this Direct Case.

<sup>18</sup>47 C.F.R. § 61.45(d)(4).

the basis of Part 69.<sup>19</sup> U S WEST has found that an allocation methodology based on Part 69 is a reasonable proxy for cost causation.<sup>20</sup> It also allowed U S WEST to employ the same methodology in its Annual Access Charge Tariff Filing for all exogenous cost variables.

B. Additional Information Submissions

Request No. 1

The date U S WEST has implemented or intends to implement SFAS-106.

Submission No. 1

U S WEST intends to implement SFAS-106 on January 1, 1993.

Request No. 2

U S WEST's cost of implementing SFAS-106 by year.

Submission No. 2

These costs are found in Section 3, Workpaper 1, Page 1 of 1, Transmittal No. 246, and in Attachment A of this Direct Case.

Request No. 3

The allocation of costs to baskets by year.

---

<sup>19</sup>See U S WEST Communications' 1992 Annual Access Charge Tariff Filing, Transmittal No. 244, filed Apr. 2, 1992. See also 47 C.F.R. Part 69.

<sup>20</sup>After an extensive evaluation, U S WEST concluded that there is no single allocation methodology that is appropriate in all instances. For example, in the case of "non-accounting"-related exogenous cost changes such as sharing, it would be inappropriate to use such a Part 69-based allocation methodology.

Submission No. 3

This information is contained in Section 3, Workpaper 3, Page 1 of 16, Transmittal No. 246, and is attached hereto as Attachment B.

Request No. 4

The treatment of these costs in reports to the Securities and Exchange Commission ("SEC") and to shareholders, including specific citations to, or excerpted materials from, such reports.

Submission No. 4

This information is attached hereto as Attachment C.

Request No. 5

All studies on which U S WEST seeks to rely in its demonstration that these accounting changes should be considered exogenous cost changes, including all studies demonstrating that the change is not reflected in the current price cap formulas, factors for inflation, productivity, allowed exogenous changes, initial price cap rates, and the sharing and low-end formula adjustment mechanisms.

Submission No. 5

U S WEST's Transmittal No. 246 and this Direct Case rely on the Godwins Study to demonstrate that the costs associated with implementing SFAS-106 should be given exogenous treatment under price cap regulation. The Godwins Study is contained in Transmittal No. 246 and as Attachment D hereto. Neither the Godwins Study nor any other studies that U S WEST is aware of, addresses the impact of SFAS-106 on productivity or sharing/low-end adjustments. U S WEST does not believe that SFAS-106 will have any impact on productivity. While SFAS-106 will have no impact on a LEC's productivity gains, it will have an impact on profitability and the productivity factor selected

for price cap purposes. SFAS-106 will affect sharing and the low-end adjustment in the same manner as any other exogenous cost. That is, there will be no impact, ceteris paribus. An exogenous cost adjustment will only affect the level of a LEC's PCI. However, it will allow LECs to recover the added expense associated with SFAS-106.

Request No. 6

LECs should describe each of the type of benefits being provided that is covered by the SFAS-106 accounting rules.

Submission No. 6

U S WEST benefits to retirees that are covered by SFAS-106 are as follows:

- Medical coverage, including mail-order prescription drugs. Retirees after January 1, 1990 are covered under the U S WEST-managed medical care program.

The medical program generally reimburses inpatient medical care at 80% to 100%, depending on the coverage selected by the employee. Outpatient care is generally reimbursed at 70% to 90% after a deductible. Health Maintenance Organizations ("HMO") are also available for retirees.

- The dental program provides reimbursement of preventive care based on the actual charges of providers. Reimbursements for other services are based on a schedule.

- Reduced Life Insurance Coverage.

Request No. 7

LECs should describe for 1991 and 1992, the pay-as-you-go level of expense associated with these benefits.

Submission No. 7

The pay-as-you-go expenses associated with the above benefits were \$106.5 million in 1991 and are estimated to be \$114.4 million in 1992.<sup>21</sup>

Request No. 8

LECs should describe any Voluntary Employment Benefit Association ("VEBA") trusts or other funding mechanisms for these expenses which were established prior to the adoption of SFAS-106.

Submission No. 8

U S WEST has two Voluntary Employees' Beneficiary Association ("VEBA") trust funds, which were established in 1989 as a funding mechanism for postretirement benefits. Since then, U S WEST has made annual contributions to these funds of an amount equal to the current service cost portion of the SFAS-106 liability. Separate trusts were established for management and nonmanagement employees. The nonmanagement trust was the product of collective bargaining. Both trusts qualify for tax deductible contributions under Section 501(c)(9) of the Internal Revenue Code, and are managed externally by the Boston Safe Deposit and Trust Company.

Request No. 9

LECs should describe the forms of postretirement benefit accrual accounting, if any, that were adopted within the regulated financial reporting before the adoption of price cap regulation.

---

<sup>21</sup>These expenses are for U S WEST as a whole and include both interstate and intrastate expenses.

Submission No. 9

In 1989, U S WEST first began funding a portion of its postretirement benefits (i.e., current service cost) using VEBA trusts, as discussed above in Submission No. 8. This amount was expensed for regulated financial reporting and included in U S WEST's initial price cap submission.

Request No. 10

LECs should also describe what type and level of SFAS-106-type expense is reflected in current rates.

Submission No. 10

U S WEST's current access rates are a product of price cap regulation. As such, the only SFAS-106-type expense that is included in these rates is the expense that was contained in U S WEST's initial price cap rates. Initial rates were established using July 1, 1990 rates. These rates contained current service cost as discussed in Submission No. 9 for the 1990/1991 tariff period. This information is contained in Attachment E hereto.

Request No. 11

LECs should also describe what type and level of SFAS-106-type expense was reflected in the starting rates for price caps.

Submission No. 11

See response to Request No. 10 above.

Request No. 12

LECs should provide descriptions and justifications of the actuarial assumptions, and assumptions unique to postretirement health care benefits, made in computing SFAS-106 expenses.

Submission No. 12

U S WEST's actuarial assumptions and their respective sources are contained in Attachment F hereto, except for the discount rate and the medical cost trend rate which are discussed below.

SFAS-106 requires that the discount rate be based on the "rates of return on high-quality fixed-income investments."<sup>22</sup> U S WEST used a discount rate of 8.5% in computing its SFAS-106 expenses. This discount rate is based on treasury bill rates with maturities of 30 years. The initial medical trend rate of 9% was based on a review of U S WEST's annual per capita benefit cost increases. This rate was trended downward to 6.5% to recognize the fact that the portion of Gross Domestic Product devoted to health care will stabilize over time.

Request No. 13

Parties should also discuss what assumptions, if any, were made about other future events such as capping or elimination of benefits, or the possible advent of national health insurance.

Submission No. 13

U S WEST's assumptions on the capping of benefits are contained in Attachment F. U S WEST did not explicitly include an assumption on national health care insurance. As a result, U S WEST's actuarial study implicitly assumes that national health insurance will not exist over the life of the study.

---

<sup>22</sup>SFAS-106 at ¶ 31.



Request No. 14

Since part of the growth in GNP-PI presumably occurs due to growth in medical costs, LECs should provide information on what adjustment, if any, should be made in the exogenous adjustment to avoid any double counting.

Submission No. 14

U S WEST does not disagree with the assertion that the GNP-PI will be higher due to growth in medical costs. But this does not necessarily lead to the conclusion that an adjustment should be made in the exogenous expense to avoid "double counting." U S WEST believes that there will be little, if any, "double counting" and that any such "double counting," if it exists, will be de minimis. This conclusion flows from the fact that price cap LECs had a very large amount of medical expense built into initial price cap rates as a result of "pay-as-you-go" accounting prior to the adoption of SFAS-106. In computing the exogenous cost of SFAS-106, price cap LECs have removed "pay-as-you-go" amounts in order to determine the incremental cost associated with adopting SFAS-106. Thus, the vast majority of any impact of medical cost inflation on the GNP-PI in the price cap formula will cover the increased cost of "pay-as-you-go" medical costs embedded in initial price cap rates rather than the incremental costs associated with SFAS-106.

Request No. 15

LECs should describe and quantify any wage changes which will be reflected in GNP-PI that are expected to occur as a result of SFAS-106. In particular, LECs should discuss what adjustment, if any, should be reflected in the exogenous adjustment for this change.

Submission No. 15

U S WEST used the Godwins Study, which is contained in Attachment D, to quantify the impact of SFAS-106 on wage changes. The macroeconomic portion of the Godwins Study found that SFAS-106 is expected to have a downward impact on the average wage rate. Similarly, U S WEST's wage rates will be lower than they would have been in the absence of SFAS-106. As a result, price cap LECs, such as U S WEST, can expect to recover approximately 14.5% of their SFAS-106 costs through lower wages. The net result is that approximately 85% of a price cap LEC's SFAS-106 costs will not be reflected in the price cap mechanism. In order to avoid any double counting and to reflect the indirect impact of SFAS-106 on wage rates, U S WEST's Transmittal No. 246 only requests that approximately 85% of the SFAS-106 costs be given exogenous treatment.

Request No. 16

LECs relying on the macroeconomic model used in the USTA study [the Godwins Study] should fully describe and document the model, including the method of estimation, parameter estimates, and summary statistics.

Submission No. 16

Godwins, Inc. has prepared a response to Request No. 16. This response is contained in Attachment G hereto.

III. CONCLUSION

As the foregoing demonstrates, U S WEST's costs associated with adopting SFAS-106 are reasonable and should be treated as exogenous costs under the Commission's price cap

rules. As such, the Commission should terminate its investigation and allow Transmittal No. 246 to go into effect as scheduled.

Respectfully submitted,

U S WEST Communications, Inc.

By: James T. Hannon (Pse)  
Lawrence E. Sarjeant  
James T. Hannon  
1020 19th Street, N.W.  
Suite 700  
Washington, D.C. 20036  
(202) 429-0303

Its Attorneys

June 1, 1992

**ATTACHMENT A**

U S WEST COMMUNICATIONS  
1993 OPEB COSTS  
SUBJECT TO SEPARATIONS  
(\$000's)

Attachment A

	(A)	(B)	(C)=(A)-(B)	(D)	(E)
Cost Item:	1993 USWC TOTALS	DEREG. AMOUNTS	STS REGULATED AMOUNTS	STS REGULATED EXPENSES	STS REGULATED CAPITAL
-----	-----	-----	-----	-----	-----
1. Total APBO	2,785,700	125,357	2,660,344	2,660,344	0
2. Accumulated Plan Assets	237,100	10,670	226,431	226,431	0
3. Total TBO Amount (Line 1 minus Line 2)	2,548,600	114,687	2,433,913	2,433,913	0
4. TBO Amortization (Line 3 / 20)	127,431	5,735	121,696	121,696	0
5. Service Cost	61,399	2,762	58,637	51,416	7,221
6. Interest Cost	231,618	10,423	221,195	193,957	27,238
7. Actual Return on Plan Assets	(16,598)	(747)	(15,851)	(13,899)	(1,952)
8. Depreciation Expense	797	0	797	797	0
9. Total OPEB Costs (4 + 5 + 6 + 7 + 8)	404,647	18,173	386,474	353,967	32,507
10. LESS: PAYGO	121,609	5,472	116,137	116,137	0
11. LESS: Service Cost	61,399	2,762	58,637	51,416	7,221
12. Incremental OPEB Costs (9 - 10 - 11)	221,639	9,939	211,700	186,414	25,286

ATTACHMENT B

U S WEST COMMUNICATIONS  
1992/1993 OPEB EXOGENOUS COSTS  
BY BASKET  
(\$ 000'S)

STUDY AREA: USWC

	1992-93 TARIFF PERIOD ----- (A)	1992-93 INCREMENTAL OPEB ----- (B)	STS DELTA ----- (C)=B-A	ALLOCATION FACTOR ----- (D)	ALLOCATED AMOUNT ----- (E)
100 TOTAL STUDY AREA EXPENSES	0	79,040	79,040	0.236361	18,682
105 TOTAL STUDY AREA CAPITAL	0	2,680	2,680	0.130224	349
110 INTERSTATE	N/A	N/A	N/A	N/A	19,031
120 COMMON LINE	N/A	N/A	N/A	0.412117	7,843
130 SWITCHED T. S.	N/A	N/A	N/A	0.462088	8,794
140 SPECIAL ACCESS	N/A	N/A	N/A	0.121486	2,312
150 INTEREXCHANGE	N/A	N/A	N/A	0.004361	83

Column A - 1992-93 Tariff period does not include any incremental OPEB amounts.

Column B - Line 100, Change due to incremental OPEB subject-to-separations (STS), see Section 3, Workpaper 2, Line 3.

Column B - Line 105, Change due to incremental OPEB subject-to-separations (STS), see Section 3, Workpaper 2, Line 7.

Column C - Delta of Column B minus Column A.

Column D - Line 100 is the result of dividing Column E line 100 by Column C line 100. (The allocation factor resulting from the Part 36 and 69 processes.)

Column D - Line 105 is the result of dividing Column E line 105 by Column C line 105. (The allocation factor resulting from the Part 36 and 69 processes.)

Column D - Lines 120 through 150 are the result of dividing Column E lines 120 through 150 by Column E line 110. (The allocation factor resulting from the Part 69 process.)

Column D - Lines 120 through 150 will equal 1.0.

Column E - Line 100 is sourced from Section 3, Workpaper 4, lines 100 and 110.

Column E - Line 100 is sourced from Section 3, Workpaper 4, lines 120, 130, 140, and 150.

Column E - Line 110 is the sum of Column E lines 100 and 105.

Column E - Lines 120 through 150 will equal Column E line 110.

Column E - Lines 110 through 150 appear on Section 3, Workpaper 4, Line 160.

ATTACHMENT C



**INDEX**

- C-1        Source:    1989 U S WEST, Inc., Proxy Statement,  
                 Management Discussion, Pages A-5, A-19, A-20
- C-2        Source:    1989 The Mountain States Telephone  
                 and Telegraph Company, Form 10-K, Part II, Pages 12  
                 and 21.
- C-3        Source:    1989 The Northwestern Bell Telephone  
                 Company, Form 10-K, Part II, Pages 12 and 21.
- C-4        Source:    1989 The Pacific Northwest Bell Telephone  
                 Company, Form 10-K, Part II, Pages 12 and 21.
- C-5        Source:    1990 U S WEST, Inc., Proxy Statement,  
                 Management Discussion, Pages A-5, A-21, A-22, A-23.
- C-6        Source:    1990 U S WEST Communications, Inc.,  
                 Form 10-K, Part II, Pages 12 and 21.
- C-7        Source:    1991 U S WEST, Inc., Proxy Statement,  
                 Management Discussion, Pages A-5, A-22, A-23.
- C-8        Source:    1991 U S WEST Communications, Inc.,  
                 Form 10-K, Part II, Pages 8 and 17.